

**REPORT OF THE AUDIT OF THE
BELL COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2005**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE BELL COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2005

The Auditor of Public Accounts has completed the audit of the Bell County Fiscal Court for fiscal year ended June 30, 2005. We have issued an unqualified opinion on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information financial statements of Bell County, Kentucky.

Financial Condition:

The Fiscal Court had net assets of \$4,686,045 as of June 30, 2005. The Fiscal Court had unrestricted net assets of \$2,391,639 in its governmental funds as of June 30, 2005, with total net assets of \$4,634,593. In its enterprise fund, total net cash and cash equivalents were \$51,452 with total net assets of \$51,452. The Fiscal Court had total debt principal as of June 30, 2005 of \$6,164,825 with \$211,027 due within the next year.

Report Comment:

The County Lacks Adequate Segregation Of Duties

Deposits:

The Fiscal Court's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robert M. Burnside, Secretary

Finance and Administration Cabinet

Honorable Albey Brock, Bell County Judge/Executive

Honorable William Kelley, Former Bell County Judge/Executive

Members of the Bell County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bell County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Bell County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Bell County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bell County, Kentucky, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of the basic financial statements. The Budgetary Comparison Information is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit the information and express no opinion on it.



To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robert M. Burnside, Secretary

Finance and Administration Cabinet

Honorable Albey Brock, Bell County Judge/Executive

Honorable William Kelley, Former Bell County Judge/Executive

Members of the Bell County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bell County, Kentucky's basic financial statements. The accompanying combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated May 7, 2007 on our consideration of Bell County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discuss the following report comment:

- The County Lacks Adequate Segregation Of Duties

Respectfully submitted,



Crit Luallen

Auditor of Public Accounts

May 7, 2007

BELL COUNTY OFFICIALS

For The Year Ended June 30, 2005

Fiscal Court Members:

William Kelley	County Judge/Executive
Charles Hunter	Magistrate
John D. Brock	Magistrate
David E. Gilbert	Magistrate
Coye Silcox	Magistrate
Andy Williams	Magistrate

Other Elected Officials:

William Neal Ward	County Attorney
James J. Hoskins	Jailer
Joan Asher Cawood	County Clerk
Charles Green	Circuit Court Clerk
Bruce Bennett	Sheriff
Geraldine Jeffers	Property Valuation Administrator
Clyde Creech	Coroner

Appointed Personnel:

Sharon Taylor	County Treasurer
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BELL COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2005

BELL COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2005

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 2,764,816	\$ 51,452	\$ 2,816,268
Total Current Assets	<u>2,764,816</u>	<u>51,452</u>	<u>2,816,268</u>
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Land	448,360		448,360
Buildings	6,008,230		6,008,230
Equipment	520,524		520,524
Vehicles	418,119		418,119
Infrastructure Assets - Net of Depreciation	<u>639,369</u>		<u>639,369</u>
Total Noncurrent Assets	<u>8,034,602</u>		<u>8,034,602</u>
Total Assets	<u>10,799,418</u>	<u>51,452</u>	<u>10,850,870</u>
LIABILITIES			
Current Liabilities:			
Bonds Payable	105,000		105,000
Financing Obligations Payable	<u>106,027</u>		<u>106,027</u>
Total Current Liabilities	<u>211,027</u>		<u>211,027</u>
Noncurrent Liabilities:			
Bonds Payable	5,480,000		5,480,000
Financing Obligations Payable	<u>473,798</u>		<u>473,798</u>
Total Noncurrent Liabilities	<u>5,953,798</u>		<u>5,953,798</u>
Total Liabilities	<u>6,164,825</u>		<u>6,164,825</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	2,242,953		2,242,953
Unrestricted	<u>2,391,640</u>	<u>51,452</u>	<u>2,443,092</u>
Total Net Assets	<u>\$ 4,634,593</u>	<u>\$ 51,452</u>	<u>\$ 4,686,045</u>

The accompanying notes are an integral part of the financial statements

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BELL COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2005

BELL COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Received</u>		
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>
			<u>Contributions</u>	<u>Contributions</u>
Primary Government:				
Governmental Activities:				
General Government	\$ 2,981,882	\$ 114,016	\$ 682,303	\$
Protection to Persons and Property	1,932,324	627,477	711,018	
General Health and Sanitation	339,878			208,551
Social Services	14,688			
Recreation and Culture	92,675			
Roads	727,158		1,847,175	
Airports	3,040			
Road Facilities	59,184			
Debt Service	460,395			
Capital Projects	254,565			339,176
Total Governmental Activities	<u>6,865,789</u>	<u>741,493</u>	<u>3,240,496</u>	<u>547,727</u>
Business-type Activities:				
Jail Canteen	49,022	69,963		
Total Business-type Activities	<u>49,022</u>	<u>69,963</u>		
Total Primary Government	<u>\$ 6,914,811</u>	<u>\$ 811,456</u>	<u>\$ 3,240,496</u>	<u>\$ 547,727</u>

General Revenues:

Taxes:

Real Property Taxes

Personal Property Taxes

Motor Vehicle Taxes

Insurance Premium Taxes

Other Taxes

Excess Fees

Unrestricted Intergovernmental Revenue

Unrestricted Investment Earnings

Miscellaneous Revenues

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

BELL COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2005
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (2,185,563)	\$	\$ (2,185,563)
(593,829)		(593,829)
(131,327)		(131,327)
(14,688)		(14,688)
(92,675)		(92,675)
1,120,017		1,120,017
(3,040)		(3,040)
(59,184)		(59,184)
(460,395)		(460,395)
84,611		84,611
<u>(2,336,073)</u>		<u>(2,336,073)</u>
	20,941	20,941
	20,941	20,941
<u>(2,336,073)</u>	20,941	<u>(2,315,132)</u>
613,193		613,193
103,905		103,905
136,400		136,400
523,609		523,609
307,109		307,109
118,210		118,210
39,002		39,002
99,794		99,794
244,686		244,686
<u>2,185,908</u>		<u>2,185,908</u>
(150,165)	20,941	(129,224)
<u>4,784,758</u>	30,511	<u>4,815,269</u>
<u>\$ 4,634,593</u>	<u>\$ 51,452</u>	<u>\$ 4,686,045</u>

The accompanying notes are an integral part of the financial statements.

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BELL COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2005

BELL COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2005

	General Fund	Road Fund	Jail Fund	Ambulance Fund	Judicial Building Project Fund
ASSETS					
Cash and Cash Equivalents	\$ 1,197,350	\$ 476,917	\$ 62,822	\$ 141,927	\$ 433,243
Total Assets	<u>\$ 1,197,350</u>	<u>\$ 476,917</u>	<u>\$ 62,822</u>	<u>\$ 141,927</u>	<u>\$ 433,243</u>
FUND BALANCES					
Reserved for:					
Encumbrances	\$ 9,168	\$ 65,292	\$ 13,896	\$ 4,508	\$
Unreserved:					
General Fund	1,188,182				
Special Revenue Funds		411,625	48,926	137,419	
Debt Service Fund					433,243
Total Fund Balances	<u>\$ 1,197,350</u>	<u>\$ 476,917</u>	<u>\$ 62,822</u>	<u>\$ 141,927</u>	<u>\$ 433,243</u>

The accompanying notes are an integral part of the financial statements.

BELL COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2005
(Continued)

Non- Major Funds	Total Governmental Funds
<u>\$ 452,557</u>	<u>\$ 2,764,816</u>
<u>\$ 452,557</u>	<u>\$ 2,764,816</u>
\$ 4,762	\$ 97,626
	1,188,182
447,795	1,045,765
<u> </u>	<u>433,243</u>
<u>\$ 452,557</u>	<u>\$ 2,764,816</u>

To The Statement of Net Assets

Total Fund Balances	\$ 2,764,816
Amounts Reported for Governmental Activities in the Statement of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources and Therefore Are Not Reported in the Funds.	10,270,257
Depreciation	(2,235,655)
Long-term Debt Is Not Due and Payable in the Current Period and, Therefore, Is Not Reported in the Funds.	
Financing Obligations	(579,825)
Bonds	<u>(5,585,000)</u>
Net Assets of Governmental Activities	<u>\$ 4,634,593</u>

The accompanying notes are an integral part of the financial statements.

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BELL COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

BELL COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>Ambulance Fund</u>
REVENUES				
Taxes	\$ 1,160,607	\$	\$	\$
In Lieu Tax Payments	17,455			
Excess Fees	118,210			
Licenses and Permits	29,357			
Intergovernmental	814,904	1,198,308	269,173	21,822
Charges for Services	62		53,245	507,255
Miscellaneous	170,248			3,428
Interest	74,805	13,483	9,824	
Total Revenues	<u>2,385,648</u>	<u>1,211,791</u>	<u>332,242</u>	<u>532,505</u>
EXPENDITURES				
General Government	1,504,157	18,495		
Protection to Persons and Property	162,376		687,431	630,366
General Health and Sanitation	64,828			
Social Services		2,738		
Recreation and Culture	1,520			
Roads	13,453	853,047		
Airports				
Road Facilities		59,184		
Debt Service	122,450			12,264
Capital Projects				
Administration	630,946	199,084	154,554	177,551
Total Expenditures	<u>2,499,730</u>	<u>1,132,548</u>	<u>841,985</u>	<u>820,181</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(114,082)</u>	<u>79,243</u>	<u>(509,743)</u>	<u>(287,676)</u>
Other Financing Sources (Uses)				
Transfers From Other Funds	110,142		455,118	127,500
Transfers To Other Funds	<u>(75,853)</u>	<u>(110,142)</u>		
Total Other Financing Sources (Uses)	<u>34,289</u>	<u>(110,142)</u>	<u>455,118</u>	<u>127,500</u>
Net Change in Fund Balances	(79,793)	(30,899)	(54,625)	(160,176)
Fund Balances - Beginning	1,277,143	507,816	117,447	302,103
Fund Balances - Ending	<u>\$ 1,197,350</u>	<u>\$ 476,917</u>	<u>\$ 62,822</u>	<u>\$ 141,927</u>

The accompanying notes are an integral part of the financial statements.

BELL COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2005
(Continued)

Judicial Building Project Fund	Non- Major Funds	Total Governmental Funds
\$	\$ 523,609	\$ 1,684,216
		17,455
		118,210
		29,357
	1,196,596	3,500,803
		560,562
397,255	110,992	681,923
24,753	235	123,100
<u>422,008</u>	<u>1,831,432</u>	<u>6,715,626</u>
	184,388	1,707,040
	396,258	1,876,431
	275,050	339,878
	11,950	14,688
	91,155	92,675
	123,456	989,956
	3,040	3,040
		59,184
419,383	111,158	665,255
	254,565	254,565
1,276	3,000	1,166,411
<u>420,659</u>	<u>1,454,020</u>	<u>7,169,123</u>
<u>1,349</u>	<u>377,412</u>	<u>(453,497)</u>
		692,760
	<u>(506,765)</u>	<u>(692,760)</u>
	<u>(506,765)</u>	
1,349	(129,353)	(453,497)
431,894	581,910	3,218,313
<u>\$ 433,243</u>	<u>\$ 452,557</u>	<u>\$ 2,764,816</u>

The accompanying notes are an integral part of the financial statements.

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BELL COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

BELL COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds	\$ (453,497)
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Amounts Reported for Governmental Activities in the Statement of Activities Are Different Because Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities the Cost of Those Assets Is Allocated Over Their Estimated Useful Lives and Reported as Depreciation Expense.

Capital Outlay	395,111
Depreciation Expense	(296,642)

Lease and Bond Principal Payments Are Expensed in the Governmental Funds as a Use of Current Financial Resources. However, these Transactions Have No Effect on Net Assets.

Financing Obligations Principal Payments	104,863
Bond Payments	<u>100,000</u>

Change in Net Assets of Governmental Activities	<u><u>\$ (150,165)</u></u>
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BELL COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2005

BELL COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2005

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 51,452
Total Assets	<u>51,452</u>
 Net Assets	
Unrestricted	51,452
Total Net Assets	<u><u>\$ 51,452</u></u>

The accompanying notes are an integral part of the financial statements.

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BELL COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

BELL COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Operating Revenues	
Canteen Receipts	\$ 69,963
Total Operating Revenues	<u>69,963</u>
Operating Expenses	
Cost of Sales	46,887
Educational and Recreational	<u>2,135</u>
Total Operating Expenses	<u>49,022</u>
Operating Income	<u>20,941</u>
Change In Net Assets	20,941
Total Net Assets - Beginning	<u>30,511</u>
Total Net Assets - Ending	<u><u>\$ 51,452</u></u>

The accompanying notes are an integral part of the financial statements.

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BELL COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

BELL COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Cash Flows From Operating Activities	
Receipts From Customers	\$ 69,963
Cost of Sales	<u>(49,022)</u>
Net Cash Provided By Operating Activities	<u>20,941</u>
Net Increase in Cash and Cash Equivalents	20,941
Cash and Cash Equivalents - July 1, 2004	<u>30,511</u>
Cash and Cash Equivalents - June 30, 2005	<u><u>\$ 51,452</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	Jail Canteen Fund
Operating Income	<u>\$ 20,941</u>
Net Cash Provided By Operating Activities	<u><u>\$ 20,941</u></u>

The accompanying notes are an integral part of the financial statements.

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TO THE FINANCIAL STATEMENTS**

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BELL COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on the Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Bell County include the funds, agencies, boards, and entities for which the Fiscal Court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. The County has no discretely presented component units.

Blended Component Units

The following legally separate organization provides its services exclusively to the primary government, and the Fiscal Court is able to impose its will on this organization. This organization's balances and transactions are reported as though it is part of the County's primary government using the blending method.

Public Properties Corporation: Judicial Building Project

The Public Properties Corporation: Judicial Building Project (the Corporation) is a legally separate entity established to provide long-term debt service for the Fiscal Court. The Corporation's governing body consists entirely of the Fiscal Court members. Therefore, management must include the Corporation as a component unit, and the Corporation's financial activity is blended with that of the Fiscal Court.

BELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Bell County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Bell County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities, and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Bell County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

BELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development (GOLD) requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. GOLD requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. GOLD requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Ambulance Fund - The primary purpose of this fund is to account for the ambulance service activity of the county. The primary sources of revenue for this fund are collections for ambulance services.

Judicial Building Project Fund - The Judicial Building Project Fund accounts for the activities of the Public Properties Corporation: Judicial Building Project Fund, a blended component unit of the county. The Public Properties Corporation issued debt to build a judicial building. The Public Properties Corporation entered into a contract, lease, and option with the County and Administrative Office of The Courts (AOC), Commonwealth of Kentucky. GOLD does not require the fiscal court to report or budget these funds.

BELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, Federal Grants Fund, Flood Mitigation Fund, Local Government Economic Development Fund, Insurance Premium Tax Fund, Abandoned Mine Land Water Project Fund, Abandoned Mine Land Laurel Fork Fund and Cumberland Gap Provisions Revolving Loan Fund.

Special Revenue Funds:

The Road Fund, Jail Fund, Ambulance Fund, Local Government Economic Assistance Fund, Federal Grants Fund, Flood Mitigation Fund, Local Government Economic Development Fund, Insurance Premium Tax Fund, Abandoned Mine Land Water Project Fund, and the Abandoned Mine Land Laurel Fork Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Fund:

The Public Properties Corporation: Judicial Building Project Fund and the Cumberland Gap Provisions Fund are presented as a debt service fund. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

BELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Deposits and Investments

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 5,000	10-60
Buildings	\$ 25,000	10-75
Building Improvements	\$ 10,000	10-75
Machinery and Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-25
Infrastructure	\$ 10,000	10-50

G. Long-term Obligations

In the government-wide financial statements and proprietary funds in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations are reported.

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

BELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Jail Canteen Fund or the Public Properties Corporation: Judicial Building Project Fund to be budgeted.

Note 2. Deposits

The County maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

BELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The County does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2005, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

	Reporting Entity		
	Beginning Balance	Increases	Ending Balance
Primary Government:			
<u>Governmental Activities:</u>			
Capital Assets Not Being Depreciated:			
Land	\$ 448,360	\$	\$ 448,360
Total Capital Assets Not Being Depreciated	448,360		448,360
Capital Assets, Being Depreciated:			
Buildings	7,261,968	11,113	7,273,081
Equipment	734,481	45,527	780,008
Vehicles	993,752	39,597	1,033,349
Infrastructure	436,585	298,874	735,459
Total Capital Assets Being Depreciated	9,426,786	395,111	9,821,897
Less Accumulated Depreciation For:			
Buildings	(1,145,533)	(119,318)	(1,264,851)
Equipment	(224,046)	(35,438)	(259,484)
Vehicles	(536,333)	(78,897)	(615,230)
Infrastructure	(33,101)	(62,989)	(96,090)
Total Accumulated Depreciation	(1,939,013)	(296,642)	(2,235,655)
Total Capital Assets, Being Depreciated, Net	7,487,773	98,469	7,586,242
Governmental Activities Capital Assets, Net	<u>\$ 7,936,133</u>	<u>\$ 98,469</u>	<u>\$ 8,034,602</u>

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 125,389
Protection to Persons and Property	59,281
Roads, Including Depreciation of General Infrastructure Assets	<u>111,972</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 296,642</u>

BELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 4. Long-term Debt

A. Waterline Financing Obligations

The County has entered into four agreements with the Kentucky Association of Counties Leasing Trust Program for the construction of various waterlines. The following is a description of the terms of each agreement:

- 1) The county entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in October 1993, for the construction of waterlines. The County has subleased the waterlines to the Pineville Utility Commission. Terms of the agreement stipulate a twenty-year repayment schedule, with variable monthly interest payments and variable annual principal payments. As of June 30, 2005, the principal balance remaining was \$83,000. Future payments are as follows:

Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2006	\$ 3,059	\$ 9,000
2007	2,710	9,000
2008	2,349	10,000
2009	1,963	10,000
2010	1,561	11,000
2011-2013	2,004	34,000
Totals	\$ 13,646	\$ 83,000

- 2) The County entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in May 1995, for the construction of waterlines. The County has subleased the waterlines to the Pineville Utility Commission. Terms of the agreement stipulate a twenty-year repayment schedule, with variable monthly interest payments and variable annual principal payments. As of June 30, 2005, the principal balance remaining was \$13,000. Future payments are as follows:

Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2006	\$ 491	\$ 13,000
Totals	\$ 491	\$ 13,000

BELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 4. Long Term Debt (Continued)

A. Waterline Financing Obligations (Continued)

- 3) The County entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in September 1995, for the construction of waterlines. The County has subleased the waterlines to the Pineville Utility Commission. Terms of the agreement stipulate a twenty-year repayment schedule, with variable monthly interest payments and variable annual principal payments. As of June 30, 2005, the principal balance remaining was \$48,000. Future payments are as follows:

Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2006	\$ 2,884	\$ 4,000
2007	2,635	4,000
2008	2,386	4,000
2009	2,137	4,000
2010	1,862	5,000
2011-2015	4,534	27,000
Totals	<u>\$ 16,438</u>	<u>\$ 48,000</u>

- 4) The County entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in March 1998, for the construction of waterlines. The County has subleased the waterlines to the Pineville Utility Commission. Terms of the agreement stipulate a twenty-year repayment schedule, with variable monthly interest payments and variable annual principal payments. As of June 30, 2005, the principal balance remaining was \$229,177. Future payments are as follows:

Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2006	\$ 11,647	\$ 36,000
2007	9,643	38,000
2008	7,554	39,000
2009	5,389	41,000
2010	3,114	43,000
2011	1,021	32,177
Totals	<u>\$ 38,368</u>	<u>\$ 229,177</u>

BELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 4. Long Term Debt (Continued)

B. Voting Machine Financing Obligation

The County entered into an agreement with the Kentucky Association of Counties Leasing Trust Program during January 2002. The proceeds were used to acquire 40 voting machines. Terms of the agreement stipulate a five-year repayment schedule, with variable monthly interest payments and variable annual principal payments. As of June 30, 2005, the principal balance remaining was \$79,200. Future payments are as follows:

Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2006	\$ 2,623	\$ 38,800
2007	981	40,400
Totals	<u>\$ 3,604</u>	<u>\$ 79,200</u>

C. Ambulance Garage Financing Obligation

The County entered into an agreement with the Kentucky Association of Counties Leasing Trust Program on November 26, 2003. The proceeds were used to acquire land and a building. Terms of the agreement stipulate a twenty-year repayment schedule, with variable monthly interest payments and variable annual principal payments. As of June 30, 2005, the principal balance remaining was \$127,448. Future payments are as follows:

Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2006	\$ 4,425	\$ 5,227
2007	4,237	5,387
2008	4,050	5,551
2009	3,850	5,721
2010	3,647	5,895
2011-2015	14,959	32,291
2016-2020	8,862	37,534
2021-2024	2,048	29,842
Totals	<u>\$ 46,078</u>	<u>\$ 127,448</u>

D. 2000 Bond Issue

On July 1, 2000, the Bell County Public Properties Corporation issued bonds in order to construct the Farmer Helton Judicial Building. On the same day, the Bell County Public Properties Corporation, Administrative Office of the Courts, (AOC) and the county entered into a lease agreement for the purpose of obtaining office rental space for the AOC at the Judicial Building. The financing plan for the project is as follows:

BELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 4. Long Term Debt (Continued)

D. 2000 Bond Issue (Continued)

Bell County and the Public Properties Corporation are acting as agents for the AOC in order to plan, design, construct, manage, and maintain the Judicial Building. The Public Properties Corporation and the county expect annual rentals for use of the Judicial Building to be in the full amount of the annual principal and interest requirements of the bonds. Under the terms of the lease, the AOC has agreed to pay directly to the paying agent bank, the use allowance payment as provided in the lease. The lease agreement is renewable each year. The county and the Public Properties Corporation are in reliance upon the use allowance payment in order to meet the debt service for the bonds.

The use allowance payment commenced with occupancy of the Judicial Building by the AOC. The AOC, with the execution of the lease, has expressed its intention to continue to pay the full use allowance payment in each successive biennial budget period until September 1, 2028, but the lease does not legally obligate the AOC to do so.

As of June 30, 2005, the principal balance remaining was \$5,585,000. Future bond payments are as follows:

Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2006	314,001	105,000
2007	308,358	110,000
2008	302,451	115,000
2009	296,303	120,000
2010	289,720	130,000
2011-2015	1,335,492	760,000
2016-2020	1,092,736	1,010,000
2021-2025	755,150	1,360,000
2026-2029	264,275	1,875,000
Totals	<u>\$ 4,958,486</u>	<u>\$ 5,585,000</u>

E. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 5,685,000	\$	\$ (100,000)	\$ 5,585,000	\$ 105,000
Financing Obligations	<u>684,688</u>	<u></u>	<u>(104,863)</u>	<u>579,825</u>	<u>106,027</u>
Governmental Activities					
Long-term Liabilities	<u>\$ 6,369,688</u>	<u>\$ 0</u>	<u>\$ (204,863)</u>	<u>\$ 6,164,825</u>	<u>\$ 211,027</u>

BELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 5. Interest On Long-term Debt and Financing Obligations

Debt Service on the Statement of Activities includes \$29,853 in interest on financing obligations and \$319,383 in interest on bonds and notes.

Note 6. Commitments and Contingencies

In August 1999, Bell County received a Single-County Local Government Economic Development Fund Grant in the amount of \$800,000, which was assigned to the Bell County Industrial Foundation for disbursement to the Cumberland Gap Provision Company in the form of an \$800,000 loan. This loan was for a period of ten (10) years at three percent (3%) interest. Monthly interest only payments were due for the first three (3) years of the loan term. At the end of that three (3) year period, \$100,000 of the principal amount of the loan was forgiven, based on the Company's degree of compliance with the terms of the jobs requirement, and the remaining balance is being amortized at an interest rate of three percent (3%) per annum over the remaining life of the loan, to be repaid in equal consecutive monthly payments of principal and interest. Cumberland Gap Provision Company pays the note payments to the Bell County Industrial Development Foundation, which pays the payments over to the county, and the county pays the payments over to the Kentucky Economic Development Finance Authority. Upon default of the loan agreement, the Cumberland Gap Provision Company, The Bell County Industrial Foundation, and the Bell County Fiscal Court can be responsible for repayment to the Kentucky Economic Development Finance Authority. As of June 30, 2005, Cumberland Gap Provision Company was in substantial compliance with the terms of the loan agreement.

Principal Balance Due County at June 30, 2005

\$450,486

Note 7. Employee Retirement System

The Fiscal Court had elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system, which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.48 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 8. Insurance

For the fiscal year ended June 30, 2005, Bell County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

BELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 9. Subsequent Events

- A. Bell County authorized General Obligation Improvement Bonds Series 2006 dated August 2006 in the principal amount of \$3,500,000 for the purpose of financing the acquisition, development, and construction of a detention facility.
- B. Bell County authorized General Obligation Improvement Bonds Series 2006B dated September 1, 2006 in the principal amount of \$1,250,000 and loaned the proceeds to the Bell-Whitley Community Action Agency, Inc. for the purpose of financing the cost of a portion of the construction and operation of the Bell-Whitley Community Action Agency, Inc. building.
- C. During July 2006, the county entered into an agreement with the Kentucky Association of Counties Lease Trust Program in the principal amount of \$300,000. The financing was for the construction of a sewer line.
- D. During July 2006, the county entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$360,000. On August 25, 2006 the County loaned the proceeds totaling \$360,000 and Local Government Economic Development Funds totaling \$200,000 to McCoy Manufacturing, Inc. and G&J Willis, Inc. to finance the construction of an industrial building. In turn, a \$560,000 promissory note between the County and McCoy Manufacturing, Inc. was entered into on August 25, 2006, whereby McCoy Manufacturing, Inc. promises to pay the County one hundred eighty consecutive monthly payments of \$4,005 beginning the thirtieth day following the issuance of a certificate of occupancy.

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BELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2005

BELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2005

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,143,000	\$ 1,143,000	\$ 1,160,607	\$ 17,607
In Lieu Tax Payments	15,000	15,000	17,455	2,455
Excess Fees	11,330	11,330	118,210	106,880
Licenses and Permits	28,000	28,000	29,357	1,357
Intergovernmental Revenue	629,506	632,706	814,904	182,198
Charges for Services	400	400	62	(338)
Miscellaneous	95,830	132,294	170,248	37,954
Interest	77,500	77,500	74,805	(2,695)
Total Revenues	2,000,566	2,040,230	2,385,648	345,418
EXPENDITURES				
General Government	1,412,804	1,522,165	1,504,157	18,008
Protection to Persons and Property	118,560	232,371	162,376	69,995
General Health and Sanitation	66,731	65,158	64,828	330
Recreation and Culture		1,520	1,520	
Roads	11,700	13,890	13,453	437
Debt Service	125,586	125,586	122,450	3,136
Administration	697,878	634,997	630,946	4,051
Total Expenditures	2,433,259	2,595,687	2,499,730	95,957
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(432,693)	(555,457)	(114,082)	441,375
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			110,142	110,142
Transfers To Other Funds	(75,853)	(75,853)	(75,853)	
Total Other Financing Sources (Uses)	(75,853)	(75,853)	34,289	110,142
Net Changes in Fund Balance	(508,546)	(631,310)	(79,793)	551,517
Fund Balance - Beginning	508,546	631,310	1,277,143	645,833
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,197,350	\$ 1,197,350

BELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2005
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 928,855	\$ 1,078,855	\$ 1,198,308	\$ 119,453
Miscellaneous			13,483	13,483
Total Revenues	928,855	1,078,855	1,211,791	132,936
EXPENDITURES				
General Government	19,000	19,000	18,495	505
Social Services		25,000	2,738	22,262
Road Facilities	51,500	79,409	59,184	20,225
Roads	942,022	1,044,235	853,047	191,188
Administration	249,545	244,423	199,084	45,339
Total Expenditures	1,262,067	1,412,067	1,132,548	279,519
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(333,212)	(333,212)	79,243	412,455
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds			(110,142)	(110,142)
Total Other Financing Sources (Uses)			(110,142)	(110,142)
Net Changes in Fund Balance	(333,212)	(333,212)	(30,899)	302,313
Fund Balance - Beginning	333,212	333,212	507,816	174,604
Fund Balance - Ending	\$ 0	\$ 0	\$ 476,917	\$ 476,917

BELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2005
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 305,117	\$ 305,117	\$ 269,173	\$ (35,944)
Charges for Services	42,500	42,500	53,245	10,745
Miscellaneous	15,000	15,000	9,824	(5,176)
Total Revenues	<u>362,617</u>	<u>362,617</u>	<u>332,242</u>	<u>(30,375)</u>
EXPENDITURES				
Protection to Persons and Property	711,670	758,341	687,431	70,910
Administration	176,065	161,608	154,554	7,054
Total Expenditures	<u>887,735</u>	<u>919,949</u>	<u>841,985</u>	<u>77,964</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(525,118)</u>	<u>(557,332)</u>	<u>(509,743)</u>	<u>47,589</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	455,118	455,118	455,118	
Total Other Financing Sources (Uses)	<u>455,118</u>	<u>455,118</u>	<u>455,118</u>	
Net Changes in Fund Balance	(70,000)	(102,214)	(54,625)	47,589
Fund Balance - Beginning	<u>70,000</u>	<u>102,214</u>	<u>117,447</u>	<u>15,233</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 62,822</u>	<u>\$ 62,822</u>

BELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2005
(Continued)

	AMBULANCE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 11,133	\$ 11,133	\$ 21,822	\$ 10,689
Charges for Services	610,800	610,800	507,255	(103,545)
Miscellaneous			3,428	3,428
Total Revenues	<u>621,933</u>	<u>621,933</u>	<u>532,505</u>	<u>(89,428)</u>
EXPENDITURES				
Protection to Persons and Property	629,925	657,688	630,366	27,322
Debt Service	12,348	12,348	12,264	84
Administration	208,084	195,321	177,551	17,770
Total Expenditures	<u>850,357</u>	<u>865,357</u>	<u>820,181</u>	<u>45,176</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(228,424)</u>	<u>(243,424)</u>	<u>(287,676)</u>	<u>(44,252)</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	<u>112,500</u>	<u>127,500</u>	<u>127,500</u>	
Total Other Financing Sources (Uses)	<u>112,500</u>	<u>127,500</u>	<u>127,500</u>	
Net Changes in Fund Balances	(115,924)	(115,924)	(160,176)	(44,252)
Fund Balances - Beginning	<u>115,924</u>	<u>115,924</u>	<u>302,103</u>	<u>186,179</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 141,927</u>	<u>\$ 141,927</u>

BELL COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2005

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

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**BELL COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2005

BELL COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2005

	Local Government Economic Assistance Fund	Flood Mitigation Fund	Local Government Economic Development Fund	Insurance Premium Tax Fund	Total Non-Major Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 232,390	\$ 1	\$ 206,475	\$ 13,691	\$ 452,557
Total Assets	<u>\$ 232,390</u>	<u>\$ 1</u>	<u>\$ 206,475</u>	<u>\$ 13,691</u>	<u>\$ 452,557</u>
FUND BALANCES					
Reserved for:					
Encumbrances	\$ 4,005	\$	\$ 757	\$	\$ 4,762
Unreserved for:					
Special Revenue Funds	<u>228,385</u>	<u>1</u>	<u>205,718</u>	<u>13,691</u>	<u>447,795</u>
Total Fund Balances	<u>\$ 232,390</u>	<u>\$ 1</u>	<u>\$ 206,475</u>	<u>\$ 13,691</u>	<u>\$ 452,557</u>

The accompanying notes are an integral part of the financial statements.

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BELL COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2005

BELL COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2005

	Local Government Economic Assistance Fund	Federal Grants Fund	Flood Mitigation Fund	Local Government Economic Development Fund
REVENUES				
Taxes	\$	\$	\$	\$
Intergovernmental	648,868	41,700	33,879	297,477
Miscellaneous				
Interest				
Total Revenues	<u>648,868</u>	<u>41,700</u>	<u>33,879</u>	<u>297,477</u>
EXPENDITURES				
General Government		2,523		181,865
Protection to Persons and Property	13,758			
General Health & Sanitation	27,800	41,700	30,878	
Social Services	11,950			
Recreation and Culture	91,155			
Roads	123,456			
Airports	3,040			
Debt Service				
Capital Projects				254,565
Administration			3,000	
Total Expenditures	<u>271,159</u>	<u>44,223</u>	<u>33,878</u>	<u>436,430</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>377,709</u>	<u>(2,523)</u>	<u>1</u>	<u>(138,953)</u>
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	(379,265)			
Total Other Financing Sources (Uses)	<u>(379,265)</u>			
Net Change in Fund Balances	(1,556)	(2,523)	1	(138,953)
Fund Balances - Beginning	233,946	2,523		345,428
Fund Balances - Ending	<u>\$ 232,390</u>	<u>\$ 0</u>	<u>\$ 1</u>	<u>\$ 206,475</u>

The accompanying notes are an integral part of the financial statements.

BELL COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2005
(Continued)

Insurance Premium Tax Fund	Abandoned Mine Land Water Project Fund	Abandoned Mine Land Laurel Fork Fund	Cumberland Gap Provisions Revolving Loan Fund	Total Non-Major Governmental Funds
\$ 523,609	\$		\$	\$ 523,609
	64,448	110,224		1,196,596
			110,992	110,992
69			166	235
<u>523,678</u>	<u>64,448</u>	<u>110,224</u>	<u>111,158</u>	<u>1,831,432</u>
				184,388
382,500				396,258
	64,448	110,224		275,050
				11,950
				91,155
				123,456
				3,040
			111,158	111,158
				254,565
				3,000
<u>382,500</u>	<u>64,448</u>	<u>110,224</u>	<u>111,158</u>	<u>1,454,020</u>
<u>141,178</u>				<u>377,412</u>
<u>(127,500)</u>				<u>(506,765)</u>
<u>(127,500)</u>				<u>(506,765)</u>
13,678				(129,353)
13				581,910
<u>\$ 13,691</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 452,557</u>

The accompanying notes are an integral part of the financial statements.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Albey Brock, Bell County Judge/Executive
The Honorable William Kelley, Former Bell County Judge/Executive
Members of the Bell County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bell County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated May 7, 2007. Bell County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bell County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Bell County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying comment and recommendation.

- The County Lacks Adequate Segregation of Duties

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Bell County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management and the Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

May 7, 2007

**BELL COUNTY
COMMENT AND RECOMMENDATION**

For The Year Ended June 30, 2005

**BELL COUNTY
COMMENT AND RECOMMENDATION**

Fiscal Year Ended June 30, 2005

REPORTABLE CONDITION – MATERIAL WEAKNESS:

The County Lacks Adequate Segregation Of Duties

There is a lack of segregation of duties relating to ambulance mail receipts because one person is solely responsible for opening mail receipts, posting mail receipts and depositing mail receipts. Due to the entity's diversity of official operations, small size, and budget restrictions the official has limited options for establishing an adequate segregation of duties. However, having one individual who is responsible for these duties increases the risk that misstatements or errors may occur and not be detected in a timely manner. The county should consider delegating some duties to other employees to help strengthen internal controls over ambulance mail receipts. For example, persons who have no access to cash receipts or accounts receivable should open mail and list receipts. Another person could record payments. We recommend that the county develop and implement procedures to help strengthen the internal control structure of ambulance mail receipts.

County Judge Executive Albey Brock's Response:

The segregation of duties will be corrected.

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**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
AND DEVELOPMENT PROGRAMS**

BELL COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2005**

Appendix A

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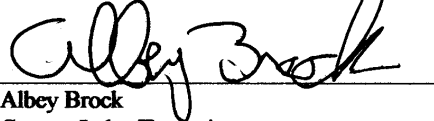
CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

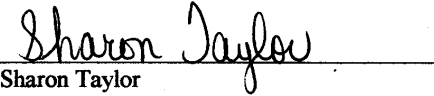
BELL COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2005

The Bell County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

A handwritten signature in black ink, appearing to read "Albey Brock", is written over a horizontal line.

Albey Brock
County Judge/Executive

A handwritten signature in black ink, appearing to read "Sharon Taylor", is written over a horizontal line.

Sharon Taylor
County Treasurer

